

**MINUTES
BOARD OF TRUSTEES OF THE
INDIANA STATE TEACHERS' RETIREMENT FUND
150 West Market Street, Suite 300
Indianapolis, Indiana 46204**

August 26, 2009

Board Members Present

Don Bennett, Vice President
Ryan Kitchell, Trustee
Greg Hahn, Trustee
Steve Overmyer, Trustee
Bret Swanson, Trustee

Board Members Absent

Cari Whicker, Secretary

Others Present

Dan Krivinskas, RV Kuhns & Associates
Roman Nemtsov, RV Kuhns & Associates
Mike Paolucci, RV Kuhns & Associates
Ken Brunke, Callan & Associates
Karen Harris, Callan & Associates
Laurel Nicholson, EnnisKnupp
Joe Bill Wiley, Capital Cities
Bill Mauger, Capital Cities

TRF Staff Present

Steve Russo, Executive Director
Tom Davidson, General Counsel
Tim Walsh, Chief Investment Officer
Stephen Wolff, Senior Investment Analyst
Bryan Martin, Director of Investments
Erin Hankins, Executive Assistant
Julia Pogue, Chief Financial Officer
Molly Deuberry, Director of Outreach and Communications
Keith Hall, Internal Auditor

Meeting called to order at 9:10 a.m. by Vice President Bennett.

I. Updates

Financial Update

Julia Pogue presented the Financial Update to the board. Ms. Pogue discussed the financial highlights for June and July 2009 and entertained questions from the board.

Investments Update

Tim Walsh presented the performance update to the board. Mr. Walsh reviewed the current manager watch list with the board and recommended placing additional managers on the watch list. Mr. Walsh presented the risk management update, the investment manager monitoring and evaluation, and equity manager scorecard and entertained questions from the board.

IT Update

Steve Russo presented the IT update to the board. Mr. Russo reviewed the business systems modernization timeline and discussed key elements of the modernization.

Metrics Update

Steve Russo presented the agency's metric highlights and entertained questions from the board.

II. Election of Board Officers

The board nominated and elected Ryan Kitchell as President of the Board of Trustees of the Indiana State Teachers' Retirement Fund.

MOTION duly made and carried to approve Ryan Kitchell as President of the Board of Trustees of the Indiana State Teachers' Retirement Fund.

<i>Proposed by:</i>	<i>Don Bennett</i>
<i>Seconded by:</i>	<i>Greg Hahn</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed</i>

The board nominated and elected Don Bennett as Vice President of the Board of Trustees of the Indiana State Teachers' Retirement Fund.

MOTION duly made and carried to approve Don Bennett as Vice President of the Board of Trustees of the Indiana State Teachers' Retirement Fund.

<i>Proposed by:</i>	<i>Ryan Kitchell</i>
<i>Seconded by:</i>	<i>Greg Hahn</i>
<i>Votes:</i>	<i>5 in favor, 0 opposed</i>

The board nominated and elected Cari Whicker as Secretary of the Board of Trustees of the Indiana State Teachers' Retirement Fund.

MOTION duly made and carried to approve Cari Whicker as Secretary of the Board of Trustees of the Indiana State Teachers' Retirement Fund.

Proposed by: Ryan Kitchell
Seconded by: Steve Overmyer
Votes: 5 in favor, 0 opposed

III. Approval of Minutes

MOTION duly made and carried to approve the minutes from the July 8, 2009 Board of Trustees meeting.

Proposed by: Greg Hahn
Seconded by: Steve Overmyer
Votes: 5 in favor, 0 opposed

IV. Investments

A. Asset Liability Study

Karen Harris presented the asset liability study to the board. Callan recommended modeling the closed (pre-1996) and new (1996) plans separately given the different structures and behaviors of the two plans. Callan and staff recommended adopting option 2 [(global equity 41%; global fixed income 37%; inflation-sensitive 18%; absolute return 4%; Total 100%) as the defined benefit plan's new asset allocation.

MOTION duly made and carried to approve option 2 as the defined benefit plan's new asset allocation.

Proposed by: Greg Hahn
Seconded by: Bret Swanson
Votes: 5 in favor, 0 opposed

B. Real Estate

Dan Krivinskas and Roman Nemtsov from RV Kuhns and Associates presented the real estate portfolio review to the board. RV Kuhns and staff recommended the board approve a \$30 million investment in WestRiver Real Estate Finance, L.P.

MOTION duly made and carried to approve staff's recommendation.

Proposed by: Greg Hahn
Seconded by: Don Bennett
Votes: 5 in favor, 0 opposed

C. TALF

Tim Walsh presented the Term Asset-Backed Securities Loan facility (TALF) RFP process and expectations to the board. The final manager selections included BlackRock, Metropolitan West, and Prudential. Callan and staff recommended the board approve a \$30M investment in Prudential's TALF fund.

MOTION duly made and carried to approve staff's recommendation.

Proposed by: Ryan Kitchell
Seconded by: Bret Swanson
Votes: 5 in favor, 0 opposed

D. ASA Investment Options

Joe Bill Wiley and Bill Mauger from Capital Cities presented the ASA investment options to the board. Capital Cities and staff recommended the board approve the new ASA investment structure including: lifestyle options consisting of target date funds, core options similar to the existing structure, and specialty options.

MOTION duly made and carried to approve staff's recommendation.

Proposed by: Bret Swanson
Seconded by: Steve Overmyer
Votes: 5 in favor, 0 opposed

Staff recommended the board delegate approval authority to the TRF/PERF selection committee to make the final manager selections.

MOTION duly made and carried to approve staff's recommendation.

Proposed by: Don Bennett
Seconded by: Bret Swanson
Votes: 5 in favor, 0 opposed

Ryan Kitchell recommended that prior to going live with the ASA investment structure; staff will discuss the structure with the board. The board requested a written process around the ASA structure to review at a future board meeting.

V. NASRA Annual Meeting Summary

Steve Russo presented the National Association of State Retirement Administrators (NASRA) meeting summary and entertained questions from the board.

VI. Governance

A. Literature Review

Steve Russo presented a summary of literature on the subject of governance and entertained question from the board.

B. Ennis Knupp Presentation

Laurel Nicholson from Ennis Knupp presented the importance of good governance and entertained question from the board.

C. Internal Audit

Keith Hall presented the internal audit review, including the audit function and summary, annual risk assessment, FY10 TRF internal audit areas, E & Y audit projects summary, and the FY09 and FY10 SBOA audits.

D. Investments Consulting Structure

Tim Walsh presented the investments consulting structure, including the current consultant structure, a potential consultant structure, and the consultant RFP status with the board.

E. Investment Policy Statement

Tim Walsh and Ken Brunke from Callan & Associates presented the IPS review and entertained questions from the board.

VII. FY 2010 Priorities

Steve Russo presented the FY 2010 initiative priorities and entertained questions from the board.

III. Adjournment

Adjourned at 4:13 p.m.